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R. C. Youngdahl
Executive Vice President

General Offices: 1945 West Parnall Road, Jackson, Michigan 49201 • Area Code 517 788-1880

November 29, 1979

Mr Victor Stello, Jr, Director
Office of Enforcement and Inspection
U.S. Nuclear Regulatory Commission
Washington, DC 20555

DOCKET 50-255 - LICENSE DPR-20
PALISADES PLANT - CONTAINMENT ISOLATION NONCOMPLIANCE
NOTICE OF PROPOSED IMPOSITION OF CIVIL PENALTIES

This refers to your letter of November 9, 1979 to Mr R B DeWitt and constitutes Consumers Power Company's reply to Appendix B of that letter (Notice of Proposed Imposition of Civil Penalties) pursuant to 10 CFR §2.205. Our answer to Appendix A of that letter (Notice of Violation) pursuant to 10 CFR §2.201 is being provided separately as requested. As more specifically described below, we are protesting the civil penalties which you propose in your notice to impose, by denying in part the items of noncompliance listed in the Notice of Violation, by showing error in the Notice of Violation, and by showing other reasons why the penalties should not be imposed. In addition to protesting the civil penalties, we are requesting remission or mitigation of them.

1. Denial of Noncompliance

As stated in the Company's response to item 1 of Appendix A, which is incorporated herein by reference, the evidence to date does tend to show that the containment isolation valves in question were opened to test a filter on April 6, 1978, when the reactor was in a cold shutdown condition. If they were opened on April 6, 1978, that action did not violate containment integrity requirements. It is not disputed that the valves in question were discovered to be in a locked-open position on September 11, 1979, when the reactor was again in a cold shutdown condition. This situation likewise did not violate containment integrity requirements. It has not been satisfactorily demonstrated that the valves were open from April 6, 1978 to September 11, 1979, or during any portion of that interval. Any conclusion that this was the case rests upon an assumption that the valves were in fact opened for purposes of the filter test (although there were alternative ways to supply the required air flow for the test) and upon the lack of a sign-off after the test and before startup in 1978 verifying that the valves were locked in the closed position prior to startup. Thus, although our investigation is continuing, there is at this time no solid evidence demonstrating that the valves were open during any period other than cold shutdown. Although the Notice of Violation flatly states that "the licensee on 424 days (Appendix D) during the period from April 1978 to September 1979, operated the reactor in other than the cold shutdown condition with containment integrity violated," you more correctly characterized the situation during the November 9 press conference at which the Notice of Violation was announced (Tr 9, Lines 10-15):

1. Denial of Noncompliance (Contd)

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"There is no way that we can ascertain with certainty that these valves, in fact, have been open since April of last year.

"Licensee believes that that is, in fact the case. We believe that that is, in fact, the case. But there is no positive means to do this since they are manual valves."

See also IE Information Notice No 79-26 dated November 5, 1979.

In short, the evidence to date does not conclusively demonstrate that any violation occurred. And as stated by the Appeal Board in Atlantic Research Corporation, ALAB 542, 9 NRC 611, 623 (1979) "Beyond doubt, the Commission staff office instituting the enforcement action must show (unless conceded by the licensee) that there has been, in fact, a violation of a regulatory requirement." Until such a showing is made, or until we satisfy ourselves on the basis of our further investigations that a violation did occur, we contest noncompliance No. 1 listed in the Notice of Violation and accordingly believe that no penalty is warranted. Even if our further investigations demonstrate that containment integrity was impaired, resulting in a noncompliance, that noncompliance should be categorized as an "infraction" rather than a "violation," as discussed at greater length below.

While the Company does not contest the facts upon which noncompliance items 2 and 3 were based, it does believe that noncompliance No 2 has been miscategorized, and requests remission or mitigation of the proposed penalties, for both items, as hereinafter discussed.

2. Errors in Notice of Violation

A. Although it is not so stated in Appendix A, the finding or the categorization or the amount of the civil penalty for one or more of the cited noncompliances is evidently based upon a misconception of the potential accident consequences of leaving these two four-inch containment isolation valves open during power operation. Your letter transmitting the Notice, your statements at the press conference of November 9, the NRC press release of November 9, and a statement of your resident inspector at Palisades, Mr. Jorgensen, during an exit interview on October 2, 1979, all indicate that you and your staff believe that the radiological consequences resulting from the occurrence of a DBA while these valves were open could be greater than 10 CFR Part 100 guidelines by several or even many orders of magnitude. This is not correct. The analysis referenced on page 3 of the attachment to our Licensee Event Report 79-037, Revision 1, dated October 31, 1979 (copies of which were informally provided to your staff) was made for three-inch valves (on the assumption that the P&ID and the manufacturer's tag were correct, which has proven not to be the case). It indicated that in the event of a DBA with the valves open, 10 CFR 100 limits would not be exceeded if the purge line charcoal absorber is assumed 90% efficient for iodines. The analysis also indicated that if one assumed that the charcoal to be completely ineffective, total body doses would still be less than

2. Errors in Notice of Violation (Contd)

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A. (Contd)

10% of 10 CFR 100 limits, although the 2-hour thyroid dose at the closest site boundary could exceed 10 CFR 100 limits by a factor of approximately 1.4. We have since redone the analysis to use four-inch valve parameters, and have refined the analysis. The refined analysis, as of this date, shows that (1) the lowest charcoal efficiency at which the 10 CFR 100 guidelines would not be exceeded in the event of a DBA is about 49%; and (2) in the event of a DBA, charcoal efficiency would be approximately 34% with no credit taken for any flow reduction by the flow controller. On the basis of these analyses, we conclude that total body doses would still be less than 10% of 10 CFR 100 limits. The 2-hour thyroid dose at the closest site boundary could exceed 10 CFR 100 limits by a factor of approximately 1.95 if 0% charcoal efficiency is assumed, and by a factor of approximately 1.28 if the charcoal efficiency is 34%. We expect to make further refinements in the calculation using test data. In any event, the DBA consequences with these valves open would not exceed 10 CFR 100 limits by "several orders of magnitude."

- B. Even if we were to concede the appropriateness of noncompliance No 1 or the appropriateness of any of the civil penalties, or the appropriateness of a continuing civil penalty for noncompliance No. 1, none of which we do concede, we believe you have incorrectly calculated the amount which may be levied under Section 234 of the Atomic Energy Act. That statute provides, in pertinent part, that "in no event shall the total penalty payable by any person exceed \$25,000 for all violations by such person occurring within any period of 30 consecutive days." We believe that the maximum amount which may be levied under that provision is \$425,000, not the \$450,000 you have proposed, even if one uses an accurate tabulation of the dates during the period in question on which the reactor was in other than a cold shutdown condition. There were 476 such dates during the period, rather than the 424 shown in Appendix D to your letter of November 9. A corrected version of Appendix D is attached hereto as Exhibit 1. Because the statute speaks in terms of a \$25,000 maximum for "any period of 30 consecutive days" rather than for consecutive 30-day periods beginning with the first day on which a penalty is levied, we conclude that the correct maximum is 17 X \$25,000, not 18 X \$25,000.

3. NRC Enforcement Criteria Not Followed

The first paragraph of Appendix B states that "In proposing to impose civil penalties . . . and in fixing the proposed amount of the penalties, the factors identified in the Statements of Consideration published in the Federal Register with the rulemaking action which adopted 10 CFR 2.205 (36 FR 16894) August 26, 1971, and the 'Criteria for Determining Enforcement Actions,' which was sent to NRC licensees on December 31, 1974, have been taken into account." We believe that those statements of policy have been largely ignored in your proposed action, and that the categorization of the cited noncompliances and the penalties proposed to be assessed for them are not in accordance with those statements of policy.

3. NRC Enforcement Criteria Not Followed (Contd)

- A. The cited Statements of Consideration identify the types of cases for which the imposition of civil penalties is an appropriate enforcement response. All such cases involve either a willful violation, or a violation representing a threat to public health and safety or the common defense and security and involving willful or chronic violations. That is not the case here.
- B. In discussing the appropriateness of levying continuing penalties, the Statements of Consideration state by way of illustration that:

"In a case where, despite the exercise of reasonable diligence, a licensee was not aware of the violation until brought to its attention by the Commission, the computation of the period of violation would normally begin at that time or after the time allowed the licensee for corrective action. On the other hand, if the evidence showed that a licensee had knowingly permitted violations to continue, the computation of the period of violation might begin at the time the licensee permitted the violations to continue."

Not only did the Company not knowingly permit a violation to continue, it voluntarily discovered and reported the condition and took immediate corrective action. It is evident that the policy statement did not contemplate levying a continuing penalty in a situation such as ours.

- C. The 1974 Enforcement Criteria which you state you have taken into account distinguish, first of all, between violations having actual consequences and violations having only potential consequences:

"From the viewpoint of enforcement, a licensee failure that results in the potential for consequences is equally important with the failure that results in the consequences - both represent instances of failure of the licensee to properly perform. However, from the impact of health and safety, common defense and security, the protection of the environment, actual consequences - when the event did occur - and potential consequences - when the opportunity for occurrences exists but the event did not happen - of an item of noncompliance are quite different. In reporting the more important items of noncompliance, those items that caused or resulted in actual consequences will be differentiated from those that merely provided the potential for the consequences."

That the proposed enforcement action fails to make this kind of differentiation is apparent when comparing, for example, the \$450,000 fine which you propose to impose on Consumers Power for two violations and an infraction, where there were no adverse health and safety consequences,* with the \$155,000 fine you have reportedly proposed for 148 separate violations, infractions and deficiencies in connection with the Three Mile Island accident, which involved both releases to the environs and employee over-exposures.

*In fact, during the entire period in question, there were no detectable releases of radioactivity from the containment building.

3. NRC Enforcement Criteria Not Followed (Contd)

- D. Under the Criteria it is also clear that a Notice of Violation alone, without civil penalties, would be considered sufficient enforcement action. The Criteria state that such notices would generally be considered sufficient enforcement action in those cases where (1) items of noncompliance are readily correctable, or (2) items of noncompliance are not repetitive or numerous and do not constitute an immediate or serious threat to the health and safety of the licensee's employees or the public, to the environment, or to the common defense and security, and (3) there is no indication that appropriate corrective action will not be taken. We believe that to be the case here: not only were the cited items of noncompliance readily correctable, but appropriate corrective action has already been taken, the items of noncompliance are not repetitive or numerous, and they do not constitute an immediate or serious threat to health and safety, the environment, or the common defense and security.
- E. The Criteria state that cases that are appropriate for the imposition of civil monetary penalties are those involving significant items of noncompliance and which represent a threat (although not necessarily immediate) to the health, safety, or interest of the public or to the common defense or security, or the environment, in cases which meet one or more of the following criteria: (a) those cases of noncompliance with the same basic requirements that were brought to the attention of the licensee in a Notice of Violation following a previous inspection; or (b) those cases of noncompliance in which the licensee failed to carry out in a timely manner the corrective action the licensee stated would be taken in response to a previous written notice; or (c) those cases involving the deliberate failure of a person to comply with regulatory requirements; or (d) those cases involving items of noncompliance in which (1) the licensee's history is one of chronic noncompliance, or (2) due to the nature and number of items of noncompliance, it is apparent that management, having been afforded an opportunity to correct previous items of noncompliance, is not conducting its license activities in conformance with regulatory requirements; or (e) those cases where (1) a suspension order or a cease and desist order is issued to remove an immediate threat to health or safety, to the environment or to the common defense and security, and (2) punitive action is deemed necessary to assure the future compliance; or (f) those cases involving activities under construction permits where there are repeated items of noncompliance with regulatory requirements; or (g) those cases where an item of noncompliance resulted in or contributed to the cause or the seriousness of an accident or an incident; or (h) those cases involving items of noncompliance in the Violation category; or (i) those cases where the nature and number of items of noncompliance with the regulatory requirements identified during an inspection or investigation demonstrates that management is not conducting its licensed activities with adequate concern for the health, safety or interest of its employees or the public or the common defense and security; or (j) those cases where licensees knowingly use

3. NRC Enforcement Criteria Not Followed (Contd)

materials which are not authorized by the license or utilize authorized materials for uses which are not authorized; or (k) those cases where significant matters were not reported to the Commission in a timely manner as required by the regulatory requirements. Civil penalties may also be assessed for comparable cases. The only one of the foregoing categories that is applicable, in our view, is (h), cases involving items of noncompliance in the Violation category. Two of the noncompliances cited in the Notice of Violation are categorized as "violations." As stated above, we are contesting the first item of noncompliance, and in any event disagree that either of them should be categorized as a "violation," as discussed in the following paragraph.

- F. The Enforcement Criteria, in addition to describing the types of cases appropriate for civil penalties, set forth the criteria for the various categories of noncompliance. The "violation" category is described as an item of noncompliance of the type listed in the criteria, or an item of noncompliance which has caused, contributed to or aggravated an incident of one of the listed types, or an item of noncompliance which has a substantial potential for causing, contributing to or aggravating such an incident or occurrence (e.g., a situation where the preventive capability or controls were removed or otherwise not employed and created a substantial potential for an incident or occurrence with actual or potential consequences of the types listed). The only possibly applicable listed types of incidents, in our view, are the following:

- (b) Radiation levels in unrestricted areas which exceed 50 times the regulatory limits.
- (c) Release of radioactive materials in amounts which exceed specified limits, or concentrations of radioactive materials and effluents which exceed 50 times the regulatory limits.
- (d) . . . operation of a Seismic Category I system or structure in such a manner that the safety function or integrity is lost.
- (f) Exceeding a safety limit as defined in technical specifications associated with facility licenses.
- (j) A breakdown in management or procedural controls as evidenced by items of noncompliance in several areas of the QA criteria and license requirements.
- (k) Other similar items of noncompliance having actual or potential consequences of the same magnitude.

3. NRC Enforcement Criteria Not Followed (Contd)

On the other hand, the Criteria define an "infraction" as an item of noncompliance of a listed type or an item of noncompliance which resulted in a reduction of preventive capability below requirements where redundant controls preclude a noncompliance of the "violation" category, or an item of noncompliance which caused, contributed to or aggravated an incident of a listed type, or an item of noncompliance which has a substantial potential for causing, contributing to or aggravating such an incident or occurrence (e.g., a situation where the preventive capability or controls were removed or otherwise not employed and there was substantial potential for an accident or occurrence with actual or potential consequences of one of the listed types). Of the listed types of incidents, we believe the following are pertinent and should be contrasted with the corresponding items in the "violation" category:

- (b) Release of radioactive materials in concentrations or rates which exceed permissible limits but in amounts less than permissible limits.
- (d) . . . operation of a Seismic Category I system of structure in such a manner that safety function or integrity is impaired.
- (e) Exceeding limiting conditions for operation (LCO).
- (f) Inadequate management or procedural controls.
- (j) Other similar items of noncompliance having actual or potential consequences of the same magnitude.

In our case, the noncompliances cited did not involve any detectable release of radiation or radiation exposure. While they did involve "inadequate management or procedural controls," they did not manifest a "breakdown in such controls as evidenced by noncompliance items in several areas of the QA criteria and license requirements." Noncompliance No. 1, even if it were conceded (which we do not), involved at most an impairment of the integrity of a Seismic Category I structure as opposed to loss of integrity of the structure,* and involved a situation in which a limiting condition for operation rather than a safety limit was exceeded. Moreover, as stated above, the accident consequences of noncompliance No. 1, even if conceded and even in the event of a DBA, would not have exceeded 10 CFR 100 limits by the amount necessary to bring it within the release or potential-release criteria for a "violation." Thus, even if further investigations should adequately support the first noncompliance, it should nevertheless be classified as an "infraction" within

*And the criteria this addresses arguably refer only to seismic characteristics rather than all safety functions and integrity. For purposes of argument only, we are attributing the more comprehensive meaning to them.

3. NRC Enforcement Criteria Not Followed (Contd)

the Enforcement Criteria, and the Criteria indicate that a civil penalty would be inappropriate in such case. Noncompliance No. 2 is clearly an infraction at most under the categorization criteria, and a penalty would likewise be inappropriate. Although a case could be made that noncompliance No. 3 is a "deficiency" rather than an "infraction," we believe that it was correctly categorized as an infraction because it reflects inadequate management or procedural controls in addition to personnel error, and our corrective action in this area reflects that belief.

- G. Not only does your proposed action fail to follow the Statements of Consideration and the Enforcement Criteria, but your action and accompanying public announcements indicate the Commission's intent to shift the course of its enforcement policy toward one of generally higher penalties, and penalties for types of noncompliances other than those delineated in the published guidelines as being appropriate cases for penalties, and to do so without publishing new guidelines. While the Statements of Consideration setting forth the Commission's enforcement policy with respect to civil penalties did indicate that that policy might change over time, it also indicated that changes would be published: "As experience in the use of civil penalties for enforcement purposes is gained, the Commission may develop and publish additional criteria for the determination of the amounts of civil penalties for specific types of violations." (Emphasis added.) Heretofore, the Commission has in fact published changes to this policy by disseminating written criteria to all licensees. Criteria were published in September 1972 and amended in June 1973, and were further amended by the Enforcement Criteria you have cited, published on December 31, 1974. It is inappropriate and unfair for the Commission to shift course in enforcement policy without prior revision of its published criteria and thereby to make a retroactive change in settled enforcement policy. In proposing to levy civil penalties against this Company, you convened a press conference on November 9, 1979 at which the Chairman of the Commission announced the proposal, announced that all of the Commissioners had been informed of and were agreeable to the action, and took pains to allude to criticism of NRC's past enforcement practices and to emphasize that the Commission was "sending a message" to its licensees:

"CHAIRMAN HENDRIE: * * * This afternoon I wish to announce that the NRC staff is proposing to fine the Consumers Power Company of Jackson, Michigan, a civil penalty of \$450,000. That is the largest civil penalty which the NRC or its predecessor regulators have ever levied. * * * (A)ll of the Commissioners have been informed and are agreeable to the action going forward at this time.

"In carrying out its enforcement actions, the NRC, and in particular, in connection with levying of penalties for violations, the NRC has been criticized in times past for seeming to, on the one hand, look for rather lower amounts to be levied for a violation than even the present law would allow; but also, it seemed to take an extremely long time to finally arrive at a determination and to take the formal action of levying the penalty.

3. NRC Enforcement Criteria Not Followed (Contd)

"I think those criticisms are valid, and one of the reasons that I have chosen to announce today's civil penalty myself is to make it clear that that is certainly not going to be the case in the future. * * *

" * * * We are going to do everything we can, and I think the penalty going forward today emphasizes that, to make sure that this message comes through in the strongest possible terms to the operating utilities." (Tr 2-4)

Later on in the press conference, you echoed Chairman Hendrie's intention:

" * * * I would like to emphasize that enforcement actions that are taken, although they are taken with regard to this particular license, I believe that these actions also are important in that they send a message to the rest of the industry to assure that that message in this particular case is received by the proper levels of management within the operating utilities.

"I will be sending a letter to executive officers in each of the operating utilities to make sure that they understand the problem. * * *

"I am persuaded that that will serve to get their attention and cause them to look very carefully at their own systems and make sure that this kind of a situation doesn't develop in their own plant." (Tr 11-12)

You did in fact send such letters, which stated in part:

"Enclosed is a copy of a recent enforcement action against Consumers Power Company. I am forwarding a copy of this action to chief executives of all utilities with a power reactor operating license or a construction permit. This is being done to notify licensees that I intend to use the limit of our enforcement authority, when the circumstances warrant, to obtain safer operation of licensed facilities. * * *

" . . . If serious breaches of safety such as this occur at your facilities, you may expect enforcement actions of this type or even more stringent."

- H. Besides being an attempt to establish new enforcement policy by exceeding its own guidelines in an individual case, without the prior publication of new criteria, contrary to settled policy and practice, your proposed action, if carried out, would be arbitrary and capricious when contrasted with the many instances involving similar events, where licensees have not been cited at all for noncompliance or where, if cited, they have been penalized at a much lower level. The recently proposed civil penalties for the Three Mile Island accident are only the most obvious example. During the preceding

3. NRC Enforcement Criteria Not Followed (Contd)

five years, there were approximately 30 instances of civil penalties being levied against power reactor operators. The average amount paid slightly exceeded \$15,000, and in no case did the penalty assessed exceed \$35,000. Many of them involved releases of radioactivity or overexposures, and most of them were violations of radiation protection or security procedures.

To summarize, Consumers Power Company believes that (1) there is insufficient evidence to support noncompliance No. 1, which should be stricken along with the civil penalty proposed to be assessed for it; (2) noncompliance No. 2 should be reclassified from a "violation" to an "infraction" and the penalty remitted to its entirety; (3) the penalty proposed to be assessed for noncompliance No. 3, an "infraction," should be remitted in its entirety; (4) if continuing investigations do in fact disclose evidence leading to a finding that noncompliance No. 1 did occur, the noncompliance should be classified as an "infraction" to which no civil penalty should attach; (5) if noncompliance No. 1 should be retained and continued to be classified as a "violation" and a penalty assessed for it, accumulation of daily penalties is nevertheless inappropriate under Commission policy as reflected in the Statements of Consideration accompanying the adoption of the civil penalty regulations.

4. Mitigating Factors

In addition to the foregoing, the following factors are offered for your consideration in mitigation of any civil penalties you nevertheless determine to assess:

1. The facts upon which the cited noncompliances are based were discovered by Consumers Power Company and were voluntarily and timely reported, as noted in your letter and in the NRC's November 9 press conference.
2. There is no evidence of the Company's bad faith or willfulness in connection with the cited noncompliances; although the fact that noncompliances occur without a licensee's knowledge is not a defense to the noncompliance itself, this factor is appropriately recognized in mitigation of civil penalties.
3. Extensive corrective action, including independent reviews, was undertaken promptly and prior to receipt of the Notice of Violation. As has been discussed with your Staff, there has been and continues to be extensive high level management involvement in the corrective and preventive action.
4. The cited noncompliances are not representative of chronic violations. Although within the past two years we have filed a total of eight LERs pertaining to containment integrity at Palisades, the corrective action to which we committed ourselves has been or is being carried out. No notices of violation were issued with respect to these LERs other than the one that is the subject of this filing.

4. Mitigating Factors (Contd)

5. The cited noncompliances did not, in fact, adversely affect public health or safety, or the environment, or the common defense or security.
6. No remedial purpose would be served by levying the proposed civil penalties. First, appropriate corrective action was undertaken immediately, prior to the proposed imposition of penalties, although the Palisades Management Review Task Force mentioned in paragraph (7) page 4 of our response to Appendix A of your letter was not appointed until after November 9. Your notices and the accompanying order did not alter the substance of the corrective action being taken, although they did affect the reportability and timing of some of the action. Second, the purpose of civil penalties, as we understand them, and particularly of continuing civil penalties, is to provide a meaningful deterrent to violations and to avoid a "cheap license" for wrongdoing from which a transgressor can profit. Here, the Company was unaware of any noncompliance until its discovery of the reported facts in September 1979, and undertook corrective action immediately. The Company had nothing to gain and everything to lose by operating with containment isolation valves open. We therefore regard the penalties, and particularly the continuing penalty for cited noncompliance No. 1, as solely punitive in nature.

By filing this response to Appendix B of your letter and the accompanying response to Appendix A, Consumers Power Company does not intend to waive any argument it may later wish to assert to the effect that its administrative remedies in this case are inadequate or unavailing because the Commission, as evidenced by statements made by Chairman Hendrie at the Commission's press conference on November 9, 1979, has prejudged the matter.

Consumers Power Company is as desirous as your office of assuring that the Palisades containment integrity requirements are met at all times, and we are taking appropriate and extensive steps to that end. We also recognize that you must carry out, in an effective way, the enforcement tasks with which you are charged. However, this Company will not willingly be pilloried to enable NRC to demonstrate to its post-TMI critics that it has become a vigorous enforcer.

Yours very truly,

/s/ R C Youngdahl

R C Youngdahl
Executive Vice President

Days Facility Was Operated In Other Than Cold Shutdown Mode

Period April 12, 1978 to September 11, 1979

Consumers Power Company

Docket No. 50-255

[illegible]

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- CORRECTED

Consumers' Power Company

Docket No. 50-255

[illegible]